

## **HHS CALL WITH STATE OFFICIALS**

### **April 22, 2010**

**Subject:** High Risk Pool Program

Questions not covered during the call may be sent to [highriskpools@cms.hhs.gov](mailto:highriskpools@cms.hhs.gov). If an immediate response is needed, put **URGENT:** in the subject line.

HHS is currently in the process of developing regulations to govern the temporary high risk pool program and a contract solicitation document.

#### **Implementation Timeline**

- Secretary Sebelius sent a letter to the states on April 2, requesting an indication by April 30 of whether the State intends to operate the temporary high risk pool or whether they will allow HHS to operate the pool in their state.
- On April 20, the agency released a sources sought document to begin identifying nonprofit organizations that could operate pools in states that decline to do so.
- In the first week of May, HHS will issue a formal solicitation document. Those states that indicated their intent to participate by April 30 will receive a contract packet with more information.
- The deadline for the first wave of bid applications will be the end of May. HHS will complete their review of these submissions by the end of June, with funds available by July 1. HHS will consider applications after this date as they are received, with a final cut off probably later this summer.
- HHS aims to release interim final regulations around the first week in June.

#### **Applications**

The high risk pool program will not be a grant program, but a contracting program. States will submit applications to contract with HHS to operate pools. An application packet will be sent during the week of May 3 to each state that submitted a letter of intent by the April 30 deadline. In their application, states may designate any government entity or any entity created by state legislation to implement the high risk pool program and may use their own contracting process to subcontract portions of the program administration to nonprofit or for-profit entities.

#### **Funding Allocations**

Funding will be distributed in a manner similar to the allocations for the CHIP program, based upon the population of the state, the number of uninsured individuals, and the geographic variation of health care costs, with a reassessment and reallocation of unspent funds in later years. Federal funding will also cover administrative costs, though a cap is being considered on these costs – maybe around 10% of the funds. A fact sheet with projected state allocations is attached.

HHS will work closely with the states in the program design process to ensure that the funding will last until 2014. *There will be no financial responsibility shifted to the states.* These state allocations will be caps on spending and the ability to manage costs will be critical in the contracting process. States should include projections for enrollment and spending in their applications.

#### **Preexisting Conditions**

Under the law, those eligible must be uninsured for 6 months and have a preexisting condition that makes coverage unaffordable, unavailable or that is excluded. The state will have flexibility to define “preexisting condition” and eligibility. Guidance will be included in the contract packet.

**Verification of Citizenship and Lawful Presence**

Access to the high risk pool program is limited to citizens and those lawfully present in the United States. HHS envisions states using verification processes similar to those used for Medicaid and CHIP and they are working with Social Security and Homeland Security. Some states expressed concern about these processes – HHS said this can be negotiated during the contract process.

**Benefits**

HHS will provide a list of basic benefits that must be covered and the law requires that the plan must cover at least 65% of allowed costs. The list of benefits will be similar to those “already covered under state high risk pool plans” and states could allow participants to pay for additional benefits.

**Premiums**

Premiums paid by the participant may not exceed 100% of the “standard rate” in the individual market. States will have flexibility in the calculation of the “standard rate” and would include in the contract how the total premium is calculated.

**Maintenance of Effort**

The law requires states maintain the “amount spent” on their current high risk pool program. States will include in their contract submission how they intend to calculate that spending and maintain that spending. There can be no mixing of funds. The federal program will not end the obligation of insurers to contribute to the operation of the current high risk pool.

**Current High Risk Pool Participants**

Those currently covered by a high risk pool may not participate in the new program unless they go without coverage for at least 6 months. A state could move all new enrollees that qualify into the new program.

**Guarantee Issue States**

HHS will work with states that guarantee issue individual coverage – they need states to be creative.

**Governance**

This will be up to the states submitting contract bids.

**Bottom Line:** Those states that express their intent to participate will receive a contract packet and as long as what they propose does not violate the federal law, HHS will consider just about any program design. States will have flexibility to fill in the blanks.

If a contract agreement cannot be reached, or the state declines to participate, then the federal government will contract with a non-profit in the state and operate this temporary program.